

REMARKS

This amendment is intended as a full and complete response to the non-final Office Action dated January 28, 2009. In the Office Action, claims 1-45 are pending, of which claims 1-45 stand rejected. By this amendment, claims 1-10, 14, 15, 17, 18, 23-25, 30, 31, 34, 36-39 and 44 are amended, and claims 11-13, 16, 19-22, 26-29, 32, 33, 35, 40-43 and 45 continue unamended.

A. In the Specification:

The title of the invention has been amended to further clarify the present invention. Further, the specification has been amended to provide minor grammatical corrections. Such grammatical corrections do not add any new subject matter to the application.

In view of the amendment to the claims and the following discussion, it is submitted that none of the claims now pending in the application are obvious under the provision of 35 U.S.C. §103. Thus, it is believed that all of these claims are now in allowable form.

REJECTIONS

A. 35 U.S.C. §103

Claims 1-45

In the Office Action, it is stated that claims 1-45 are rejected under 35 U.S.C. §103 as being obvious over US Patent No. 5,864,827 to Wilson in view of US Patent No. 6,029,146 to Hawkins et al. (hereinafter "Hawkins") in further view of US Patent No. 6,148,293 to King. The rejection is respectfully traversed.

As a preliminary matter, we believe that it would be helpful to review the appropriate standard under 35 U.S.C. §103 for analyzing the features of a claim with respect to the prior art. It is well settled that [t]he test under 35 U.S.C. §103 is not whether an improvement or a use set forth in a patent would have been obvious or non-obvious; rather the test is whether the claimed invention, considered as a whole, would have been obvious. Jones v. Hardy, 110 USPQ 1021,

1024 (Fed. Cir. 1984) (emphasis added). The combination of the cited patents to Wilson, Hawkins and King fails to disclose, suggest or even predict the present invention, as a whole.

Background of the Applicant's Invention – Technical Problem Addressed by the Applicant

The technical problem faced by the Applicant was to provide a method and system for enabling investors to purchase and redeem shares of an open-end mutual fund on a centralized securities Exchange, such as the NY Stock Exchange, the NASDAQ Stock Market, among other well know centralized and regulated securities Exchanges and electronic communications networks for securities processing. Funds can be categorized as closed-end funds and open-end (mutual) funds. Closed-end mutual funds have a fixed number of issued shares that can be traded between two parties on a securities Exchange on which the fund is listed. For example, a closed-end fund can include 100,000,000 shares and be traded on the NY Stock Exchange. The 100,000,000 shares is a fixed number and does not increase or decrease based on executed “buy” or “sell” orders of the closed-end fund by investors.

By comparison, an open-end mutual fund has a variable amount of shares that changes based on the aggregate amount of purchases and redemptions of shares over a period (e.g., daily (which is traditional), hourly, by second, etc.). Open-end mutual funds do not trade on a securities Exchange. In fact, they are not listed on any U.S. securities Exchange. Rather, an investor can purchase or redeem a quantity of shares directly through the mutual fund or via Broker who has a contractual arrangement with the mutual fund to purchase and redeem shares on behalf of the investor. An example of a popular open-end mutual fund is the Magellan Fund (ticker “FMAGX”) which is one of a family of funds issued by the investment firm Fidelity Investments of Boston, MA. There are thousands of other open-end funds that investors can purchase and redeem according to their investment preferences. All of the open-end mutual funds buy and sell underlying securities, such as stocks, bonds and other securities for the benefit of their investors.

The value of the open-end mutual fund is not determined by offering and bidding for the fund, as which occurs for stocks on the Exchanges. Rather, the value of the open-end mutual funds known as the Net Asset Value (NAV) is typically determined at the end of each day the markets are open, by adding up the total value of the underlying securities and subtracting the liabilities. The NAV per share is the aforementioned total NAV divided by the total number of outstanding shares of the investors who own shares of the open-end fund.

The number of shares of an open-end mutual fund is variable based on the aggregate number of shares purchased and redeemed each day. By way of example, suppose the Magellan Fund currently has 100,000,000 issued shares and a NAV/Share of \$25.00. If a new investor were to place a purchase order with Fidelity for \$1000.00 of the Magellan Fund, once the order is transacted, the investor would receive 40 shares ($1000/25$) of the Magellan fund, and the total number of issued shares of Magellan fund would increase by forty, to 100,000,040 shares. If the investor instead redeemed \$1000.00, then the total number of issued shares of Magellan would decrease by forty, to 99,999,960 shares. The same principle applies for all investors who purchase and redeem shares of an open-end mutual fund, and an aggregate number of shares that are purchased and redeemed by all the investors are computed at the end of each business day to determine a daily NAV/share.

Accordingly, the following assertions should be clear:

- a) open-end mutual funds do not have a fixed number of shares such as stocks and other “traded” securities; and
- b) open-end mutual funds do not trade on a centralized securities Exchange such as stocks are traded;

For sake of better understanding the present invention, the Examiner's attention is directed below to the attached Figure A, which provides a block diagram illustrating the difference between open-end mutual funds and other types of securities, such as stocks, ETFs and closed-end funds which are traded on a centralized Exchange.

As shown below in FIG. A, traditional open-end mutual funds are either purchased (directly from the mutual fund) or redeemed (directly by the mutual fund) by investors of their intermediaries (e.g., brokers). The open-end mutual fund is involved in each separate purchase and redemption transaction. The total amount of outstanding shares of open-end mutual funds can increase (via purchase orders) or decrease (due to redemption orders) each day.

Purchase of 100 Shares of Mutual Fund AAA

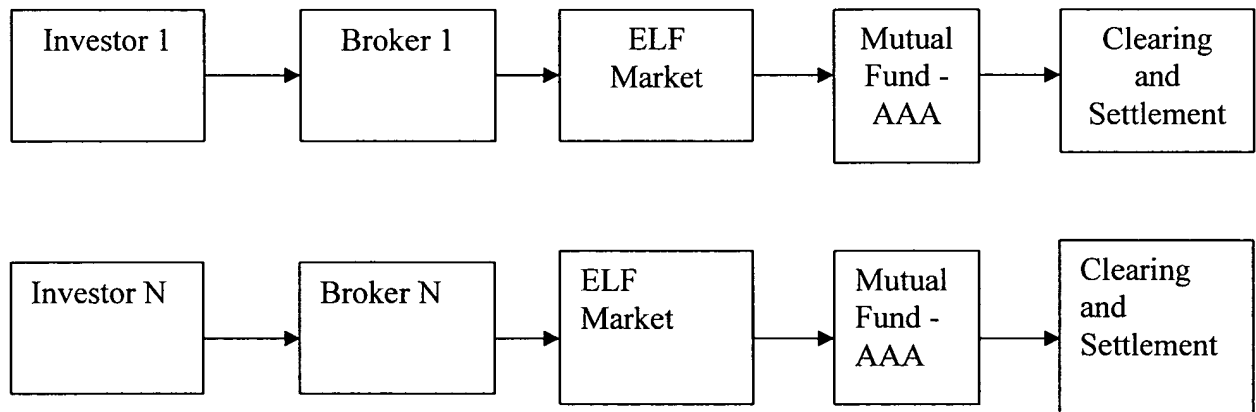


FIG. A

By contrast, as shown below in FIG. B, buy and sell orders for existing shares of stock of publicly traded companies are traded between brokers, by being matched, usually at an exchange (e.g., NY Stock Exchange, NASDAQ Exchange and the like). A public company is not involved in the buy and sell transactions of its stock. Moreover, publicly traded companies have a fixed number of outstanding shares which do not increase or decrease due to buy and sell orders, respectively.

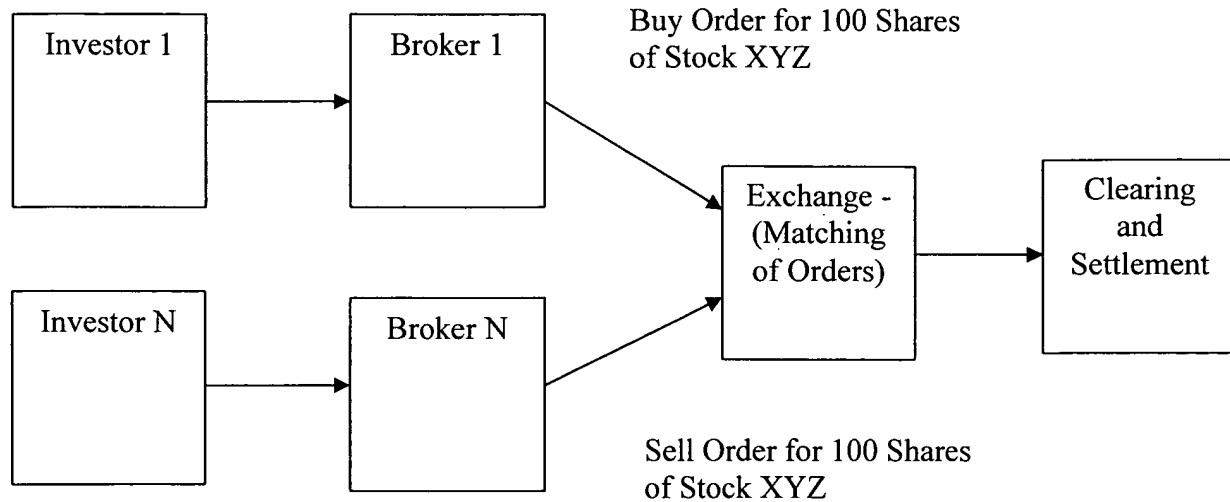


FIG. B

Referring now to the Applicant's claimed invention, independent claim 1 (and similarly independent claims 18 and 30) has been amended to further clarify the inventive features. In particular, independent claim 1, as amended, recites:

1. A computer implemented method for processing open-end mutual fund order messages at a designated centralized securities Exchange, including purchase and redemption transactions of shares of an open-end mutual fund, the method comprising the steps of:

receiving order messages associated with purchase or redemption of open-end mutual fund shares in Exchange Equity Order Entry Format at at least one of a plurality of first servers at the designated centralized Exchange, said open-end mutual fund being listed on the Securities Exchange as an Exchange listed open-end mutual fund (ELF), and having a total number of currently issued shares which is variable as a function of periodic adjustments for newly purchased shares and redeemed shares;

aggregating the purchase and redemption orders of the open-end mutual fund by Member Firm;

reformatting the order messages to Fund Order Entry Format at the at least one first server; and

transmitting the reformatted order messages from the at least one first server to at least one of a plurality of second servers at Fund/Securities Clearing Agents for confirmation, clearing and settlement including issuance and redemption of the open-end mutual fund shares by the open-end mutual fund. (Emphasis added).

18. A computer implemented method for processing open-end mutual fund order messages, including purchase and redemption transactions, comprising the steps of: receiving purchase and redemption order messages in Exchange Equity Order Entry Format at a first server of a centralized Exchange or Market Listed Fund from a second server of at least one Member Firm;

matching and executing the order messages for each open-end mutual fund by member firm at the first server of the Exchange or Market Listed Fund, each said open-end mutual fund being listed on the centralized Exchange or Market Listed Fund Market as Exchange or Market listed open-end mutual fund; and

transmitting the matched and executed order messages from the first server of the Exchange or Market Listed Fund to servers at at least one of a plurality of ordering Member Firms for confirmation;

reformatting the matched and executed order messages to Fund Order Entry Format at the first server; and

transmitting the reformatted order messages to servers at at least one of a plurality of Funds/Securities Clearing Agents for clearing and settlement. (Emphasis added).

30. A computer implemented system for processing open-end mutual fund order messages, including purchase and/or redemption orders, at a centralized Exchange comprising:

a first server at the centralized Exchange operable to: receive the purchase and/or redemption open-end mutual fund order messages in Exchange Equity Order Entry Format from one or more second servers at at least one Member Firm, said open-end mutual fund being listed as a security on the Exchange; aggregate the orders by fund and by each Member Firm; reformat the order messages to Fund Order Entry Format; and transmit the reformatted order messages to at least one of a plurality of Fund/Securities Clearing Agents for confirmation, clearing and settlement. (Emphasis added).

By contrast, the Wilson patent discloses “*a device and method to provide a gateway for the transfer of information between financial markets and customers, a processor is coupled to a customer system and to a financial market system. The processor receives transaction*

information from the customer system in a first format, converts it to a second format and transmits the transaction information to the financial market system.” (See Wilson, Abstract). The invention disclosed by Wilson refers to the field of “*providing a gateway for the transfer of information between one or more customer system(s) which utilize a common protocol and one or more financial market (exchange) system(s) which utilize the same and/or different protocols that differ from the common protocol.*” (See Wilson, column 1, lines 8 – 12).

The technical problem faced by Wilson is transferring information between two systems (i.e., a customer system and a financial market (exchange) system that utilize different protocols or computer languages. Thus, the information had to be entered manually into each server system at each location (e.g., Member Firms, the Exchanges, the Fund/Securities Clearing Agents, and so forth. To solve this technical problem, Wilson employs “a gateway which receives and transmits transaction information from/to at least one customer system, receives and transmits transaction information from/to a plurality of markets (exchanges), and translates transaction information from a first protocol, i.e., format and/or language, into at least a second protocol and vice versa.” (See Wilson, column 3, lines 8 – 14).

In the Wilson patent, there's absolutely no disclosure, teaching of even hint about how to solve the technical problem of processing mutual fund order messages at a designated centralized securities Exchange, including purchase and redemption transactions of shares of an open-end mutual fund, as addressed by the Applicant. The Wilson patent is completely silent regarding the technical problem addressed by the Applicant. Moreover, the technical field of the Wilson patent has never prompted a need or desire to process open-end mutual funds on a centralized Exchange, such as, for example, the NY Stock Exchange (NYSE), the NASDAQ Stock Market, among other centralized securities Exchanges or Markets. The ability to enable processing of open-end mutual funds on an Exchange has never been an issue in the Wilson patent. In fact, none of the present day Exchanges have any capability to process open-end mutual funds in a manner as set forth by the Applicant's claimed invention.

When reading the Wilson patent, a person of ordinary skill in the art would never be prompted to solve the technical problem that the Applicant solved because in the Wilson patent, which belongs to a different technical field with respect to the Applicant, there is absolutely no disclosure, teaching or even hint about how to solve the technical problem addressed by the Applicant.

Further, the person of ordinary skill in the art would not be prompted to solve the Applicant's technical problem even after reading Wilson in view of Hawkins and in further view of King. Hawkins faced a different technical problem addressed by the Applicant. Specifically, Hawkins addressed an issue of "direct broker to broker trading that will automatically match an investor's security order with an executing broker's match confirmation and will automatically generate and route via the SWIFT Financial Network a settlement instruction to the investor's clearing agent." (See Hawkins column 3, lines 26 – 31, Emphasis added).

By contrast, recall that open-end mutual funds are not traded on an Exchange. Rather, currently, and at the time the Hawkins system was conceived and reduced to practice, open end mutual funds could only be purchased or redeemed by an investor or the investor's broker directly at the mutual fund (i.e., not at an Exchange). In fact, the security orders disclosed in Hawkins do not include orders for open-end mutual funds. Thus, the Applicant's technical problem associated with processing open-end mutual funds is not disclosed or suggested at all in the Hawkins patent. Accordingly, there is no disclosure, teaching, suggestion or even hint in the Hawkins patent regarding any possibility of the Applicant's technical solutions for processing of open-end mutual funds that the Applicant addressed.

Moreover, the King patent fails to bridge the substantial gap as between the combination of Wilson and Hawkins, and the Applicant's invention. The King patent addressed a completely different technical problem as addressed by the Applicant.

Specifically, King addressed an issue of a "data processing methodology for effecting an improved adjustable rate loan structure for financial institutions." (See King, column 1, lines 10 – 13). More specifically, the King patent discloses "a means of assuring the borrower's ability to

pay its contractual obligations under the loan agreement". (See King, column 7, lines 16 – 18). King solves the technical problem by providing "borrowers (issuing entity) the ability to more closely match interest payments to revenues generated from financed activities, while accelerating the obligation if financed activity revenues permit or interest rate movements benefit acceleration. For the borrower, the system attempts to create a flexible borrowing arrangement on a long-term basis." (See King, column 7, lines 9 – 15). King further discloses that "the issuing entity is selected from the group consisting of an insurance company, bank, single purpose corporation, governmental issuer or affiliate, individual, trust, mutual fund, investment company, partnership, limited partnership, or other incorporated or unincorporated entity." (See King, column 25, lines 1 – 6, Emphasis added). Thus, King's adjustable rate loan structure for financial institutions does not have any relevance or relationship to Applicant's invention, which by contrast pertains to open-end mutual fund purchase and redemption order processing at Exchanges.

It is submitted that combining the Wilson, Hawkins and King patents is an inappropriate use of hindsight, since a person of ordinary skill in the art would clearly not find any mention of the technical problem (processing open-end mutual funds on an Exchange), nor would such person find any possible hint about how to conceive and/or develop the Applicant's invention. Since the technical problem that prompted the Applicant to conceive, develop and reduce the invention to practice is completely devoid in the combination of Wilson, Hawkins and King, and there is no disclosure, suggestion or even hint regarding the Applicant's invention details (i.e., no processing of open-end mutual funds on an Exchange is ever mentioned or shown), it would be absolutely impossible for a person of ordinary skill in the art to conceive or even predict the Applicant's claimed invention starting from the teachings of Wilson, Hawkins and King.

In fact, even if a person of ordinary skill in the art attempted to solve the technical problem of open-end mutual fund processing on an Exchange as addressed by the Applicant (which is clearly not the case, as explained above), the person of ordinary skill would only glean a minimal amount of knowledge to possibly enable such person to (i) provide "a gateway which

receives and transmits transaction information from/to at least one customer system, receives and transmits transaction information from/to a plurality of markets (exchanges), and translates transaction information from a first protocol, i.e., format and/or language, into at least a second protocol and vice versa” (Wilson); and (ii) “provide borrowers (issuing entity – i.e., mutual fund issuers (King)) the ability to more closely match interest payments to revenues generated from financed activities, while accelerating the obligation if financed activity revenues permit or interest rate movements benefit acceleration” (Hawkins). A person of ordinary skill in the art could not use the combination of the three cited patents to conceive, develop or reduce to practice a system and method for processing open-end mutual funds on an Exchange. The combination of Wilson, Hawkins and King has absolutely no bearing or relationship to the Applicant’s present invention, as recited in amended independent claims 1, 18 and 30.

That is, even by combining the teaching of Wilson, Hawkins and King, there is still no suggestion to develop the Applicant’s claimed invention of “receiving order messages associated with purchase or redemption of open-end mutual fund shares in Exchange Equity Order Entry Format at at least one of a plurality of first servers at the designated centralized Exchange, said open-end mutual fund being listed on the Securities Exchange as an Exchange listed open-end mutual fund (ELF), and having a total number of currently issued shares which is variable as a function of periodic adjustments for newly purchased shares and redeemed shares.” Therefore, the combination of Wilson, Hawkins and King fails to teach, suggest or even predict the Applicant’s invention as a whole.

As such, it is submitted that independent Claims 1, 18 and 30 are not obvious and fully satisfy 35 U.S.C. §103 and are patentable thereunder. Further, claims 2-17, 19-29 and 31-45 depend from independent claims 1, 18 and 30 and recite additional features considered inventive. For at least the same reasons described above, it is submitted that these dependent claims are not obvious and fully satisfy 35 U.S.C. §103 and are patentable thereunder. Withdrawal of the rejection is respectfully requested.

CONCLUSION

In view of the amendment and discussion presented herein, it is respectfully submitted that the present Amendment responds to all of the issues raised in the Office Action. Thus, it is submitted that all of the claims are in condition for allowance. Accordingly, reconsideration of this application and its prompt passage to issue are earnestly solicited.

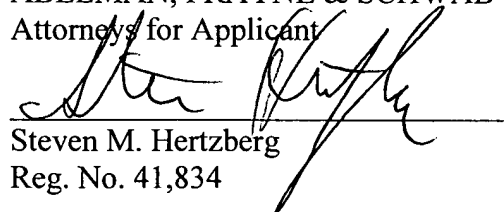
If, however, the Examiner believes that there are any unresolved issues in any of the claims now pending in the application, we respectfully request that the Examiner telephone Steven M. Hertzberg at (212) 885-9223 so that appropriate arrangements can be made for resolving such issues as expeditiously as possible.

The Commissioner is hereby authorized to charge any additional fees, or to credit any overpayment, due by reason of this Amendment to Deposit Account No. 01-0035.

All correspondence should continue to be directed to the address below.

Respectfully submitted,

ABELMAN, FRAYNE & SCHWAB
Attorneys for Applicant



Steven M. Hertzberg
Reg. No. 41,834

ABELMAN, FRAYNE & SCHWAB
666 Third Avenue
New York, New York 10017-5621
Tel: (212) 949-9022
Fax: (212) 949-9190